

KENTUCKY TEACHERS' RETIREMENT SYSTEM
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
December 20, 2010

Under authority of KRS 161.290(1), the Board of Trustees of the Teachers' Retirement System of the State of Kentucky convened in Regular Session in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky, at 9:15 a.m., ET, Monday, December 20, 2010.

Board Called to Order

Barbara G. Sterrett, Chair, called the meeting to order.

Roll Call

Members present were:

Laura A. Zimmerman
Barbara G. Sterrett
Ruth Ann Sweazy
Ronald L. Sanders
Robert M. Conley
Todd Hollenbach, State Treasurer
Kathy Jennings, Proxy for the Commissioner of Education

Others present were:

Gary L. Harbin, Kentucky Teachers' Retirement System
Eric Wampler, Kentucky Teachers' Retirement System
Robert Barnes, Kentucky Teachers' Retirement System
Jane Gilbert, Kentucky Teachers' Retirement System
Paul Yancey, Kentucky Teachers' Retirement System
Kevin Carrico, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Leeann G. Uebel, Kentucky Teachers' Retirement System
Erlynn Crowe, Kentucky Education Association-Retired
Fred Hester, Kentucky Education Association-Retired
Edwin Cook, Kentucky Retired Teachers Association
Brad Gross, Kentucky Legislative Research Commission
Teresa Sanders, Kentucky Office of the State Budget Director
Ed Macdonald, Cavanaugh Macdonald Consulting, LLC
Ed Koebel, Cavanaugh Macdonald Consulting, LLC
Eric Gary, Cavanaugh Macdonald Consulting, LLC

Item 1 – Reports for Consent:

Mr. Wampler reported to the Board regarding “Reports for Consent.” Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the reports for consent.

Consideration of Minutes: The Board considered the minutes of the previous quarterly meeting held September 20, 2010, and the special meeting held November 19, 2010.

The Personnel Committee considered the minutes of the special meetings held August 5, 2010, September 10, 2010, and September 20, 2010.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds: The Board considered the report on benefits.

BOARD ACTION: Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Zimmerman, the Reports for Consent regarding Minutes, Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were unanimously approved by the Board as reported.

The Personnel Committee unanimously approved the minutes of the special meetings held August 5, 2010, September 10, 2010, and September 20, 2010 as written.

Interim Financial Statements: The Board considered the report on the Interim Financial Statements for the quarter ended September 30, 2010. The report was informational and the Board took no action on the Interim Financial Statements.

Item 2 – Report of the Investment Committee

December 20, 2010 Meeting of the Investment Committee: Mr. Yancey reported that the Investment Committee had a special meeting on December 20, 2010, prior to the regular quarterly meeting of the Board. Mr. Yancey summarized the actions taken by the Committee at the meeting including approval of an investment in the EnCap Energy Capital Fund VIII, and approval of the asset allocation and money managers for the medical insurance fund. Mr. Yancey also noted that the Investment Committee reviewed and approved proposed amendments to the investment policy set forth in 102 KAR 1:175 and a proposed investment policy set forth in administrative regulation for the insurance trust fund.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the report of the Investment Committee regarding its meeting on December 20, 2010.

BOARD ACTION: Upon motion duly made by Mr. Conley, and seconded by Mr. Hollenbach, the Board unanimously approved the “Report of the Investment Committee” and ratified the actions of the Investment Committee at the meeting on December 20, 2010.

Investment Policies set forth in Administrative Regulations: Mr. Wampler reported to the Board on the proposed amendments to the investment policy set forth in 102 KAR 1:175 and a

proposed investment policy set forth in administrative regulation for the medical insurance fund.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the changes to investment policies.

BOARD ACTION: Upon motion duly made by Mr. Sanders, and seconded by Ms. Sweazy, the Board unanimously authorized staff to file with the LRC:

- The proposed amendments to 102 KAR 1:175 and to work with LRC to make recommended changes that do not alter the effect of the amendments approved by the Board.
- The proposed emergency and ordinary regulation for Investment Policies for the Kentucky Teachers' Retirement System insurance trust fund and to work with LRC to make recommended changes that do not alter the effect of the proposed emergency and ordinary regulation approved by the Board.

November 4, 2010 Meeting of the Investment Committee: The Investment Committee had a special meeting on November 4, 2010. Mr. Yancey reviewed the information referenced in the "Report of the Investment Committee" set forth under Tab 2 of the materials provided to the Board, which includes the activities of the Investment Committee and Investment Performance for the quarter ending September 30, 2010.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Investment Committee."

BOARD ACTION: Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Zimmerman, the Board unanimously approved the "Report of the Investment Committee" and ratified the actions of the Investment Committee at the meeting on November 4, 2010.

Item 3 – Actuarial Valuation Reports

Ed Macdonald, Ed Koebel, and Eric Gary of Cavanaugh Macdonald Consulting, LLC presented the Reports of the Actuary on the Annual Valuations regarding Kentucky Teachers' Retirement System.

Mr. Koebel presented the Report of the Actuary on the Annual Pension Valuation prepared as of June 30, 2010.

Mr. Gary presented the Report of the Actuary on the Annual Valuation of the Retiree Medical and Life Insurance Plans prepared as of June 30, 2010.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the Actuary's reports.

BOARD ACTION: The Board unanimously approved the Reports of the Actuary on the Annual Valuations.

Item 4 – Report of the Governance and Audit Committee

Mr. Wampler reported that the Governance and Audit Committee met in special session prior to the regular quarterly meeting of the Board on December 20, 2010. The Committee reviewed and accepted the external audit report of Charles T. Mitchell Company, which was presented by Kim Field, CPA. The Committee also reviewed and approved the Internal Audit Strategy for Fiscal Year 2011, which was prepared by KTRS internal auditor Daryl Dunagan. The Committee also asked staff to prepare and publish an RFP for Audit Services for Fiscal Year 2011—2012.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, the Board unanimously approved the “Report of the Governance and Audit Committee” and ratified the actions of the Governance and Audit Committee.

Item 5 – Report of the Scholarship Committee

Mr. Harbin reported that the Scholarship Committee met in special session prior to the regular quarterly meeting of the Board on December 20, 2010. The Committee voted unanimously to recommend to the full Board that a \$2,000 yearly scholarship be granted to each of the eight public universities in Kentucky and a \$2,000 yearly scholarship to a Campbell County High School senior who intends to major in education in a Kentucky public university.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Ms. Zimmerman moved the Board accept the report of the Scholarship Committee, and the Board unanimously approved the report.

Item 6 – Report on the Pathway Project

Mr. Harbin reported to the Board that KTRS plans to publish the RFP at the end of January 2011. After completing the evaluation process, staff will recommend a vendor to the Board at the regular quarterly meeting on June 20, 2011.

The report was informational and the Board took no action on the Report on the Pathway Project.

Item 7 – Executive Secretary’s Observations and Comments

Mr. Harbin reported to the Board concerning KTRS’s receipt of an award from the Public Pension Coordinating Council and a Certificate of Achievement from the Government Finance Officers Association. Mr. Harbin’s report was informational, and the Board took no action.

Mr. Harbin read a letter of resignation from Active Teacher Trustee, Dr. Jay Morgan. Mr.

Harbin noted that Dr. Morgan is resigning because of his recent election to the City Council in Murray, Kentucky. Mr. Harbin noted that Dr. Morgan's resignation is effective on December 31, 2010.

Mr. Harbin read the text of a resolution from the Board to Dr. Morgan acknowledging the Board's appreciation for his service to the Kentucky Teachers' Retirement System.

Chair Sterrett asked the Board to take action on the resolution honoring Dr. Morgan.

BOARD ACTION: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Sanders, the Board voted unanimously to adopt the resolution honoring Dr. Morgan.

Adjournment

There being no further business to come before the Board of Trustees, and upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 11:35 a.m.

CERTIFICATIONS

We, the Chair and the Executive Secretary of the Board of Trustees of the Kentucky Teachers' Retirement System, do certify that the Minutes of Meeting were approved by the Board on March 21, 2011.

Barbara Sterrett, Chair

Gary Harbin, Executive Secretary

I, Robert B. Barnes, do certify adherence to the Kentucky Open Meetings Act, KRS 61.800 et seq., in the conduct of this meeting. I have reviewed the minutes for form, content, and legality.

Robert B. Barnes, Deputy Executive Secretary and General Counsel

I, Leeann Uebel, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Kentucky Teachers' Retirement System at its meeting on December 20, 2010.

Leeann G. Uebel
Recording Secretary